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THE PROSPECTS FOR THE GOVERNMENT OF THE
REPUBLIC OF CHINA

(Advance Conclusions)

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

The following intelligence organizations participated in the preparation of this estimate: The Central Intelligence Agency and the intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and The Joint Staff.

Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 27 August 1957. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Assistant Chief of Staff, Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC and the Assistant Director, Federal Bureau of Investigation, abstained the subject being outside of their jurisdiction.

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THE PROSPECTS FOR THE GOVERNMENT OF THE
REPUBLIC OF CHINA

THE PROBLEM

To estimate the strengths, weaknesses, and prospects of the Government of the Republic of China, with particular reference to its staying power.

SUMMARY AND CONCLUSIONS

A. The Government of the Republic of China continues to hold as its central objective the recovery of power on the mainland. In fact it controls only Taiwan, the Penghus, and a few islands lying off the coast of China, and it holds its international position primarily because of US diplomatic support. It is able to support its present military establishment and the economy of Taiwan only with substantial US assistance.

B. The National Government remains politically stable and the economy of Taiwan continues gradually to improve. The military establishment is growing stronger, but Nationalist forces alone

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could not defend their territories against a full-scale Chinese Communist attack.

C. The staying power of the Republic of China will be determined by the ability of Nationalist leaders to adjust to life on Taiwan, by developments within Communist China, and particularly by the policies of the US. Major setbacks in Communist/^{China or the} Communist world would raise Nationalist morale and strength of purpose. However, developments interpreted by Nationalist leaders as indicating that the US was losing interest in supporting the National Government and that Communist China was gaining international prestige and internal strength and stability would foster divisive and defeatist tendencies in Taiwan. The death of President Chiang would probably be followed by a period of domestic uncertainties and a weakening of the government's stability. Communist/^{China's} admission to the UN would result in marked deterioration of the morale of Nationalist leaders.

D. Given continued US support, the National Government will probably maintain its position on Taiwan, although its international position will deteriorate. Continued emphasis on

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the objective of return to the mainland, however, would increase the need for US aid to prevent economic degeneration, particularly in view of the population growth expected over the next decade. In this situation there would be increased frustration and defeatism, especially among middle level elements, and there might be increased susceptibility to Communist inducements.

E. On the other hand, if a new generation of leaders in time were to accept a "two Chinas" arrangement and if they came to concentrate on long-term economic development, the island might become economically viable and morale tend to improve. In any event, US military guarantees and assistance would have to continue and economic aid would be required for the development of export industries.

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